

INPUT OF THE
CONTRACT PAYMENT CIM FUNCTIONAL GROUP
TO THE DFAS PLANNING PROCESS

Description of the Function: The future Contract Payment function will verify that the payment terms and conditions of a contract or like-agreement for the acquisition of goods or services have been met; ascertain the monetary entitlement due the payee; ensure that payments are scheduled and approved for timely release according to laws and regulations; and assure the integrity and availability of associated information for customers and other users.

Scope: The future function will begin with a requirement for payment. It will end when all payment terms and conditions of the contract or like-agreement have been met and associated information has been provided. Exclusions are not limited to, but will include, all obligating, disbursing, and regulatory financial reporting functions, which will be covered by the Financial Operations Corporate Information Management Group.

Customers: Those served by the Contract Payment function will include vendors, contractors and suppliers; contracting offices; ordering offices; order accepting offices; disbursing offices; accounting offices and inventory control points.

Functional Activities: The discrete activities that will be resident within the future Contract Payment function include: Payment Request Control; Entitlement Determination; Analysis and Reconciliation; Payment Scheduling; and Customer Service.

Description of the Functional Group: The group is chaired by a Senior Executive from the Office of the DoD Comptroller. The CIM representative/deputy has extensive experience in financial systems development. The group facilitator is a senior analyst from the Information Resource Management College. Core participants consist of fourteen personnel with functional expertise from the Military Services and Defense Logistics Agency. Disciplines of expertise include: accounting policy development and implementation, systems accounting, and management of the process whereby payments for acquired goods and services are made within the Department of Defense. A breakout of the participants' Component affiliation and grade range is provided below.

<u>Component</u>	<u>Participants</u>	<u>Grade Range</u>
Army	4	GS-12 to GM-14
Navy	1	GS-13
Air Force	2	GM-14 and Major
Marine Corps	1	Major
DLA	6	GS-12 to GM-15

The Group operates under the guidance and direction of the Financial Management Functional Steering Committee (FSC), which is chaired by the DoD Comptroller. That Committee also is chartered to review and approve the functional group products. Committee membership includes senior level financial managers from the Military Departments and appropriate Defense Agencies.

Project Management Data: The Group convened June 3-8, 1990 for team building and methodology training, as well as conducting a preliminary determination regarding the nature of the contract payment mission beyond the next decade. The Group reconvened on July 9, 1990 to begin the process of developing the functional requirements.

The Group completed Phase I of the CIM Process Guide and received CIM Director approval on September 18, 1990. Specifically, the Group identified and documented the following as they relate to the future of contract payment within DoD: (a) mission statement, (b) narrative scope statement, (c) customers, (d) products and services, (e) internal and external interfaces (f) functional activities, (g) policies and guiding principles, (h) trends and impacts, and (i) visions. The Group has initiated work on Phase II of the CIM Process Guide and is scheduled to brief the FSC in February 1991.

By mid-February 1991, the Group expects to have defined its future functional concept, Step 2.1.5 of the CIM Process Guide. By the end of May 1991, the Group expects to have completed step 2.1.9, which entails performing all of the prerequisite steps of the Process Guide to develop the Contract Payment functional business plan. A copy of the current milestone chart is at attachment 1.

Interim Standard Systems: In response to a CIM Council tasking on August 8, 1990, the Group conducted an initial review of the principal contract payment systems operated by the DoD Components. These systems are listed in attachment 2.

The Group's rudimentary analysis considered (1) the guidelines for interim standard systems cited in the DoD Comptroller memorandum of June 25, 1990; (2) briefings by proponents of the various systems, and (3) personal knowledge of system capabilities shared by members of the Group.

The Group believes that the contract payment (entitlement determination) mission includes three distinct payment types: installation level, major item (central) procurement, and subsistence (i.e., food and fuels). As a result of our cursory review and the belief that no single system efficiently can embrace all three payment types in the near-term, the Group endorsed the following as interim systems:

- Installation Level. The Air Force Standard Integrated Accounts Payable System (IAPS).

- Major Procurement. The Defense Logistics Agency (DLA) Mechanization of Contract Administration Services (MOCAS), blended with enhancements currently available in the Air Force Acquisition Management Information System (AMIS).

- Subsistence. The DLA Defense Integrated Subsistence Management System (DISMS) for perishables, semiperishables and commissary brand name items. Further, the Group recommended that DISMS be enhanced to include (1) an electronic data interchange/electronic funds transfer capability, and (2) a module to process the not dissimilar fuels payments (bulk; into-plane; and post, camp and station) currently managed under DLA's Defense Fuel Automated Management Systems (DFAMS) and Automated Voucher Examination and Disbursement System (AVEDS).

The Group also highlighted for further consideration the Army Corps of Engineers Financial Management System (CEFMS), an integrated finance, accounting and contract payment system due for fielding beginning in July 1991. This system, which was developed under a process similar to CIM, includes capabilities consistent with many of the Group's visions.

Available time did not permit the Group to determine an appropriate system for payment of transportation entitlements (e.g., Government bills of lading). Neither was the Group aware, at that time, that the Defense Commissary Agency (DeCA) was doing similar work; we understand that DeCA subsequently selected the Army's Standard Automated Voucher Examining System (SAVES) as its interim standard system.

No action was taken by the FSC on the Group's recommendations since it was anticipated that the Group would be able to complete its entire effort and a final product early in 1991.

Key Challenges/Opportunities/Issues:

- Accelerate CIM Process/Share Responsibility with DFAS for Phase II. The ASD(C³I) has asked all CIM functional groups to accelerate completion of Phase II. In order to finish this phase by the targeted date, the Group is projecting that DFAS, as Executive Agent, will undertake and complete the Information System path (tasks 2.3.1 - 2.3.3). This cataloging and analysis activity would refine the Group's initial analysis to name interim standard systems. The purpose of the path is to (1) develop a comprehensive list of automated information systems now supporting the contract payment function, (2) develop standard functional descriptors for documenting and describing such systems, (3) develop an information system strategy for contract payment, and (4) determine which of the cataloged systems are inappropriate for further consideration or analysis as candidate systems.

As a baseline for this effort, the Group solicited and has received documentation on most of the systems identified during its earlier review. It also joined with the Financial Operations CIM Group (FINOPS) to produce a data call in support of task 2.3.1.1 (attachment 4). All available documentation can be provided to DFAS upon request.

To meet the milestones necessary for finishing the functional business plan (step 2.1.9) on time, DFAS must complete the Information System path by early May 1991.

- Baseline Operational Resources Supporting Contract Payment Function. As part of the CIM business analysis, each CIM functional group is to develop a chart of resources to capture the magnitude of DoD resources used to accomplish the function (subtask of task 2.1.1.1). The chart should depict such data as the types and numbers of operational sites, number of personnel, and labor and non-labor (direct and reimbursable) costs.

The Group asked FINOPS to include resource requirements in the joint data call for task 2.3.1.1. However, FINOPS subsequently determined to fulfill its requirement with data collected for and reported in the April 1990 Report on the Consolidation and Improvement of Financial Operations within the Department of Defense. That report does not identify separately a subset of data for the contract payment function; if such is necessary, the Group requests DFAS assistance in accumulating the information.

- Transition Planning for Phase III. Another consideration in accelerating the CIM process is assigning responsibility for the completion of Phase III. It is the Group's understanding that DFAS, as Executive Agent, will be responsible for completing this phase with a few contract payment "experts." Several concerns about transition planning, respective roles and missions of the DFAS and OASD(C3I)/CIM staffs, and logistical support of the Phase III groups were well articulated to DFAS in the Civilian Payroll Group's input; the Contract Payment Group seconds those views.

Visions and Strategies: The Group's six vision elements, goals, critical success factors, measurement criteria, objectives, strategies and alternate strategies are provided at attachment 4. These are encapsulated in the Vision Narrative, as follows:

The Contract Payment function operates using standardized policy that is uniformly applied by all DoD Components. It complies with all statutory and regulatory requirements and is responsive to changing conditions. It uses and provides only credible information that is established and maintained by its accountable steward. It is responsive to its customers through a highly skilled workforce.

DFAS Draft Paper, entitled "Standardize/Restructure Contract Payments," dated January 23, 1990: The subject draft should be rewritten to incorporate the information provided herein. In addition, the Group offers the following comments on the referenced draft.

- Background. The most significant background issue is the need to improve the Department's performance under the Prompt Payment Act. DoD's FY90 Report on compliance with the Act is available and dramatizes statistically the need for improvement. This should be the first paragraph under this section. Of those items presently cited under this section of the draft:

- Paragraph 4 should be renumbered as 2.

- Paragraph 2 should be renumbered as 3, with reference to MCCAPS (last 3+ lines) deleted. In addition to accounting stations and payment offices, contracting offices must have access to the integrated data base. MCCAPS was not selected as a viable interim standard system based on the Group's initial analysis. Such a selection should not be implied in this paper; that decision would be developed during conduct of tasks 2.3.1 to 2.3.3.

- Paragraph 3 should be deleted in its entirety. We have no data to support this statement.

- Paragraph 1 should be renumbered as 4. Reference to DLA instead should state DCMC. The reference to 700 personnel should be modified to indicate that they are in contract payment offices. The sentence beginning "An additional 100 workers..." should conclude with a period after "acceptance data." The comment on invoice input should indicate that this function is performed in contract payment offices.

- Study Elements/Considerations. Basically, these are adequate; however, subparagraph 4.a. should be deleted in its entirety. To highlight relative criticality, we suggest renumbering the paragraphs as follows: paragraph 3 should be renumbered as 1, paragraph 4 should be renumbered as 2, paragraph 2 should be renumbered as 3, and paragraph 1 should be renumbered as 4. With respect to this new paragraph 4, the requirement for MILSCAP is contained in FAR and the Group concurs strongly that it be enforced as a starting point. The FAR also contains standard formats; the granting of fewer deviations from the FAR will help ensure standard formats.

• Recommendation. There should be two recommendations as follows: (1) Adopt the CIM Contract Payment Functional Group Strategies as approved by the FSC, and (2) Conduct the study elements/considerations cited in the previous section.

A handwritten signature in black ink, appearing to read "Ronald L. Adolphi", with a large, stylized initial "R" and "A".

Ronald L. Adolphi
Chairman, Contract Payment
CIM Functional Group

January 25, 1991